

**WHEN THEY SAY,**

**YOU SAY,**

## Talking Points on the Pension Funding issue for NJEA Members

**WHEN THEY SAY...**

**Gov. Christie has put more money in the pension system than any other Governor.**

**YOU SAY...**

Gov. Christie has underfunded the pension systems by \$14.9 billion. New Jersey has the most underfunded pension system of all 50 states. Meanwhile, since Gov. Christie took office, school

employees have put in two and a half times the amount that he has. Even under the law he signed giving the state more time to phase in its contributions, he's \$4.1 billion behind.

**WHEN THEY SAY...**

**I agree that the state should make the pension payments, but where will the money come from? Where would you suggest we cut from the budget? Funding to schools? Hospitals? Unemployment benefits?**

**YOU SAY...**

After nine credit downgrades, the state must get its fiscal house in order. Raising revenue is part of the equation to restoring fiscal sanity. These are tough choices. We believe legislators should be open to raising revenues, such as the Millionaires Tax and a surcharge on the

corporate business tax (CBT). Economic Development Authority (EDA) programs that provide corporate subsidies should be further scrutinized and overhauled for savings. The Exxon settlement is another example of incoming revenue that should be maximized.

**WHEN THEY SAY...**

**We can't raise taxes enough to pay for the exploding costs of public employee pensions and benefits.**

**YOU SAY...**

Unfortunately, the state created this mess by skipping more than \$27 billion in payments since 1996. It is like maxing out a credit card and then telling the credit card company that you just can't make the payments because you have other bills to pay.

The cost of pension benefits is not exploding. What is exploding is the cost of not replacing the pension dollars that were spent on other things. It gets more expensive every year to replace those dollars.

Budgets reflect priorities. If you want to grow New Jersey's economy, you must invest in education. The Legislature was able to find enough revenue last year to provide the full, legally required 4/7th pension payment while balancing the budget. The Legislature created and voted for this payment schedule in 2011, knowing it would be difficult but doable. The state must dig itself out of the hole it created.

**WHEN THEY SAY...**

**New Jersey revenues cannot grow at the rate needed to cover our pension, health benefit and debt service liabilities. Out of every new dollar earned, 85 percent goes to the pension fund.**

**YOU SAY...**

Actually, that's not true. Eighty-five percent of every dollar is going to replace the pension contributions the state used to pay for things other than pensions. If our state's economy was performing better, that percentage would not be so large. In fact, New Jersey ranks 36th in the nation

for economic growth and has the second worst job growth in the country.

*(Source: Rutgers Data Bank)*

We need to both grow the economy and do the responsible thing now and fund the pensions. We can't keep putting it off for later.

**WHEN THEY SAY...**

**If the Democrats know the Governor is going to veto a 5/7th pension payment in the budget, why are they even giving your members this false hope? Why are the Democrats passing a budget that includes taxes they know the Governor will veto?**

**YOU SAY...**

We believe every legislator can think for him or herself and should be given the opportunity to vote for pension funding. Moreover, the governor doesn't have to veto additional pension funding and can choose to follow his law. The bottom line is the pension funding schedule is the

law. We should pursue every option to carry out the law.

On May 6, 2015, before the NJ Supreme Court, an attorney for the pension boards said that this issue touches 800,000 lives. That's more than 10 percent of the state's population.

**WHEN THEY SAY...**

**Pensions are a thing of the past. Why not give all employees the flexibility and option of a 401k plan?**

**YOU SAY...**

Pensions are deferred compensation and help attract quality professionals. It is part of the overall compensation given to public employees because their salary, on average, is lower than those in the private sector. Pensions do not necessarily cost employers or taxpayers more than a 401k. Over the last 20 years, employees have contributed more than two times what the state has contributed. If pensions are funded, pensions are the cheapest, most efficient way to fund retirement benefits.

*(Source: National Institute on Retirement Security)*

Case studies of Alaska, West Virginia

and Michigan show that costs went up after switching from pensions to the 401k method.

*(Source: National Institute on Retirement Security)*

Besides, if the state can't fund a pension now, how are they going to make a 401k payment?

Most importantly, even if the state wanted to switch to a different type of pension plan, it would still have the unfunded liability for the pensions already earned under the current plan. We have to solve that problem, and we can only do that by funding the pensions.

**WHEN THEY SAY...**

**Why can't we keep current employees in the pension system and place new hires in a 401k style plan?**

**YOU SAY...**

It's no cheaper than putting that money into the pension system. Our problem has to do with the money that never got into the pension funds. Putting people in a

different program doesn't make that debt go away, it only means that there would be fewer people paying into that plan.

**WHEN THEY SAY...**

**Taxpayers cannot afford to pay public worker pensions in perpetuity. Many taxpayers are leaving the state.**

**YOU SAY...**

Pension benefits are affordable. What's expensive is replacing the pension money that didn't make it to the fund.

The average TPAF retiree earns a pension of \$40,000. The average pension for

Local-PERS (*which includes education support professionals and other public workers*) is \$16,143. Those are earned, promised benefits that our members have paid for throughout their careers.

*(Source: Division of Pensions)*

**WHEN THEY SAY...**

**The private sector does not enjoy these Cadillac health benefits.**

**YOU SAY...**

Healthcare costs are very high in the northeast. Our members know that because they pay a significant share of their health insurance premiums.

We support efforts to control costs by making healthcare delivery more efficient. We cannot simply keep shifting those costs to employees.

**WHEN THEY SAY...**

**NJEA should be looking for solutions and should not have walked away from discussions on how to fix the pension system problem.**

**YOU SAY...**

NJEA is fighting for the best solution possible. Funding the pension according to c.78 will yield the best result possible

for the state and its employees. The only way to make up for lost state contributions is for the state to make them.

**WHEN THEY SAY...**

**Funding employee health and pension costs squeezes out other essential functions of government: public safety, education, higher education and research.**

**YOU SAY...**

We disagree that funding pensions earned by employees should be pitted against other critical state services. Unfortunately, we are where we are given

years of underfunding. We will face even tougher choices if we do not stay the course with pension funding and fix this problem now!

**WHEN THEY SAY...**

**Pension funding will now be decided by the judicial system and the Legislature must wait for a decision by the Supreme Court.**

**YOU SAY...**

We do not believe in legislation by litigation. This is no way to run a government. The only reason the courts are involved is because the state failed to make the legally-required payment. The legislature should not shirk its own

laws and rely upon judicial intervention to make up the difference. Whatever ruling the court makes, the state's pension liability remains. We must deal with this issue right now.



**#FundNJPension**